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China, Peoples Republic of

Agricultural Situation

World's Largest Farm Producer Now a \$6 Billion Market for the U.S.

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Report Highlights:

China is the world's most populous nation and the largest producer (by volume) of agricultural products. Due to rising incomes, limited arable land, and strong import demand, China has become a \$6 billion market for U.S. agricultural and food products. USDA's Foreign Agricultural Service offices in China, in partnership with USDA Cooperators, play a major role facilitating trade and leading market access initiatives. This report provides background information on China's agricultural production and trade using reports from the United Nations Food and Agriculture Organization, the Chinese Ministry of Agriculture, the Chinese Customs Administration, the United States Department of Commerce Census Bureau, and the USDA.

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Introduction

China is the world's most populous nation and the largest farm producer, by volume. Due to rising incomes, strong consumer demand, and limited arable land for crop production, China has become the United States 4th largest overseas market for raw agricultural materials and food products. United States exports of agriculture, fisheries and wood products to China exceeded \$6 billion during 2004, representing 10 percent of all U.S. exports to the world, an increase of \$1 billion from the year before.

USDA's Foreign Agricultural Service offices in China, in partnership with the USDA Cooperators (see page 7) who have offices here, play a major role facilitating trade and leading market access initiatives. Although China's has emerged as a major importer of agriculture products, continued smooth trading relationships with the United States will hinge on USDA's continued cooperation with China's Government and private sector in the areas of market access, market intelligence, market development, foreign policy, crop production/research, food safety and capacity building.

This report provides background information on China's agricultural production and trade using reports from the United Nations Food and Agriculture Organization, the Chinese Ministry of Agriculture, the Chinese Customs Administration, the U.S. Department of Commerce Census Bureau, and the USDA.

China is the World's Number 1 Producer and Consumer of Farm Products

- China has one-tenth of the world's arable land and one-fifth of the world's population. On a per capita basis, China's arable land is one-sixth of the United States. In total arable land area, it is four-fifths of the United States.
- China is the world's #1 producer of vegetables and melons (50 percent world total), pork (48 percent), poultry eggs (45 percent), groundnuts (39 percent), apples (35 percent), paddy rice (31 percent), sheep and goat meat (30 percent), rapeseed (27 percent), primary fibers (24 percent), potatoes (23 percent), and wheat (15 percent).
- China is the world's #2 producer of maize (19 percent) and poultry meat (17 percent).
- China's is the world's #3 producer of citrus (13 percent), beef and veal (11 percent), bananas (9 percent), and sugarcane (7 percent).
- China's is the world's #4 producer of soybeans (9 percent)
- China's is the world's #5 producer of grapes (8 percent) and natural rubber (7 percent).
- China is the world's #1 consumer of rice, wheat, corn, pork, oilseeds, vegetable oils, and cotton.
- One of China's stated priorities for 2005 is increasing rural, namely farmer, incomes. The 2004 per capita rural and urban incomes were respectively \$353 (up 6.8 percent) and \$1135 (up 7.7 percent).

China is a Major Importer of Agricultural Products

- Using China Customs data, in 2004, China imported \$35 billion in agricultural, fishery, and forestry products. 2003 imports were \$25 billion.
- Using China Customs data, the United States was the #1 supplier, responsible for \$8.1 billion, 23 percent of China's total imports. Brazil (9 percent), Argentina (8 percent), Malaysia (7 percent), Australia (7 percent), Russia (7 percent), Thailand (6 percent), and the EU-25 (5 percent) were other major suppliers.
- Using United States Bulk, Intermediate, Consumer-Oriented, Forestry, and Fishery (BICO) export data, China imported \$6.1 billion in 2004 with a composition of: 69 percent bulk, 13 percent intermediate, 8 percent consumer-oriented, 6 percent forestry, and 4 percent fishery.

- From 1992 to 2004, using United States BICO data, United States agricultural exports to China increased nearly 9,000 percent. During the ten years from 1995 to 2004, United States exports grew 226 percent, faster than to any other major market.
- China was the number 1 destination for United States bulk agricultural exports (17 percent of world total), number 4 destination for intermediate agricultural (6 percent), forestry (7 percent), and fishery (7 percent) exports, and number 10 destination for consumer-oriented (2 percent) agricultural exports.
- China was the number 1 destination for United States soybeans, cotton, hides and skins, number 2 destination for wheat, number 4 for red meats, food preparations, and "other" intermediate products, number 5 market for dairy products, and number 9 destination for fresh fruit.
- In 2004, China accounted for 35 percent of all United States soybean exports, 33 percent of all cotton exports, 10 percent of all wheat exports, 30 percent of all hides and skins exports, 4 percent of all dairy exports, 10 percent of all hardwood exports, 6 percent of all softwood exports, 29 percent of all crab and crabmeat exports, and 11 percent of all salmon exports.
- Relatively speaking, China is still a small market. 2004 United States per capita exports to China were \$4.75. Per capita exports to other markets are much larger: e.g., South Korea-\$61, Japan-\$78, Mexico-\$86, and Canada-\$373.

China is a Major Exporter of Agricultural Products

- In 2004, China's agricultural exports were \$28 billion; this is double the amount of ten years ago.
- China is typically a net agricultural exporter. In 2003, China Customs data indicates imports outpaced exports by \$348 million, the first time since 1995. In 2004, imports outpaced exports by \$7 billion, a considerably wider volume. The export data, however, does not include any textile and furniture exports made from raw agricultural goods and thus, it is not a useful exercise to assume China has an agricultural trade deficit.
- Using 2004 export values, the largest exported goods included processed fishery and forestry products, animal meats and casings, and vegetables.
- Japan is China's number 1 agricultural commodity export destination (\$8.4 billion in 2004). The United States has been a top-5 destination for Chinese agricultural exports since 1995. China Customs indicates the United States imported \$3.8 billion in Chinese agricultural commodities in 2004.
- China has a competitive advantage in producing and then exporting several labor-intensive agricultural commodities; including fruits, vegetables, and finished products like frozen fish fillets and wooden articles.
- China is a competitor with the United States in several regional and other third country markets for swine and poultry meats, fruit, and occasionally corn and rice.

Future for United States Agricultural Exports to China

- China's overall gross domestic product (GDP) is growing faster than agricultural GDP. This often indicates agricultural imports will likely grow as domestic consumption outpaces domestic supply.
- The proportion of added value of agriculture in the GDP in 1990 was 28.4 percent, 20.8 percent in 1995, 15.8 percent in 2001, and 14.5 percent in 2002. Again, this is an indication that other sectors of the economy are growing faster than the food sector and could indicate that imports will grow.
- Tariff rate quotas (TRQs) for wheat, corn, cotton, and vegetable oils with China's World Trade Organization (WTO) accession could mean the government is more willing to accept greater bulk and intermediate imports.

Post WTO Entry and Impact on China's Agricultural Trade

- There are some agricultural trade policy concerns with China that remain in spite of its WTO accession:
 - China maintains a Quarantine Import Permit (QIP) is required prior to signing contracts to import a wide variety of agricultural commodities.
 - Certain terms and specifics of TRQ management remain undefined.
 - Some Chinese agencies do not understand China's WTO commitments or could be unwilling to fully cooperate.
 - Growing number of sanitary and phytosanitary (SPS) barriers and technical barriers to trade (TBT) as China integrates itself into the WTO.
 - Uncertainties on China's willingness to accept agricultural biotechnology.
 - Non-transparent system of value added tax collection system and tariff rebates for exported commodities.
 - Numerous unrealistic expectations from China's trading partners. Note: China did not join the WTO to import more commodities.
- There are numerous positives with China's WTO accession, of which, a few include:
 - China lowered tariffs on a broad range of agricultural commodities.
 - There is more certainty and greater clarity on the rules of trade.

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For reports about China's agricultural/food sector and market opportunities for U.S. agricultural products in China, please see the FAS website at www.fas.usda.gov (select "Attache Reports"). You may also contact the following offices.

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